



Quasi-Market Irrationality in Welfare Servicing: The Case of Remote Indigenous Housing

Dr Lester Thompson
Lecturer

School of Humanities and Human Services
Queensland University of Technology

**Paper presented to the Social Change in the
21st Century Conference**

**Centre for Social Change Research
Queensland University of Technology**

28 October 2005

Quasi-Market Irrationality in Welfare Servicing: The Case of Remote Indigenous Housing

*Dr Lester Thompson
School of Humanities and Human Services
Queensland University of Technology*

Though economically-rationalist belief systems seem less invasive than they were in the 1990s, market and quasi-market ideology is still being applied as a strategy for improving the outcomes of welfare programs. The following discussion examines remote Northern Territory (NT) Indigenous housing provision as a case study of the potential irrationality of using quasi-markets within social intervention strategy. This case study is a generalizeable example of ideology-based quasi-market provision. Thus the discussion concludes by considering implications associated with private sector participation in social intervention, and explores a better way to conceptualize and deal with problematic policies.

The study incorporates a brief historical foray into the terminology and quasi-market assumptions which underpin the logic of NT social intervention strategy. The examination reflects on the nature of Indigenous living conditions; the intentions of government intervention; the interpretation and logic of these intentions and the consequent processes of intervention. It is assumed that such reflections are essential to the formation of good policy and that insights into existing policy are possible if this logical process is used. Thus the discussion commences with an examination of Indigenous living conditions intervention in its historical context, and then it reflects on the intentions of this intervention. It hinges on a re-examination of human need as the focus of existing and future policy development.

Historically Derived Definitions

After a referendum in 1967 Australia's Commonwealth government became responsible for administering an Indigenous population which since European

colonization had had their hunting and foraging 'economic culture' seriously constrained through over-concentration in settlements (Memmott & Moran 2001). These people had suffered considerable decreases in the 'surplus production' which had previously sustained their quality of life (Briscoe 1989:200, Thompson 2004). When in 1972 'Social Assistance' reforms highlighted the 'underprivileged' status of Indigenous Australians (Sanders 1990, Hughes 1995, Memmott & Moran 2001, Thompson 2004) their subsequent living conditions became the focus of increasing scrutiny by Commonwealth social welfare administrators (Hughes 1995, Thompson 2004). Under these circumstances those individuals in the Northern Territory who lived a more traditional Indigenous lifestyle were 'problematized' and became the focus of a government intervention apparatus which sought to house and normalise them (Thompson 2004).

Though the conservative welfare logic of the 1960s had presented Indigenous people as deprived primitives who required 'advancement' (Hughes 1995, Thompson 2004) the social-democrat intervention of the 1970s established the contemporary focus on 'self-determination' and provision according to measured 'need' (Sanders 1990, Hughes 1995, Thompson 2004). The humanitarian 'Liberal' government of the mid 1970s to early 1980s; the social democrat (Labor) government of the 1980s to mid 1990s; and then the socially conservative/market liberal (Liberal) government of the contemporary period (2005), have continued to intervene in Indigenous living conditions according to the 'need' for housing, the 'need' for health services and the 'need' for educational services.

In this context, successive Commonwealth and NT Governments concur that most remote-dwelling Indigenous people lack, but will not be provided with, sufficient resources to individually purchase the goods and services deemed needed for adequate satisfaction (Thompson 2004). Rather than permitting individual determination of needs, successive Commonwealth (and NT) Governments have resolved to socially assess and provide these housing, health and educational 'needs' (Thompson 2004, Thompson 2005). The construction of remote NT Indigenous houses is subject to 'tendering processes', private sector construction and some economic choice mechanisms. Thus it can be considered to be a quasi-market intervention process.

At this time (2005) social provision of housing, education and health services are the norm in remote NT Indigenous communities (Thompson 2005), quasi-market construction mechanisms are deployed in this aim (Thompson 2004), and therefore the economic-rationality of this convention can be critically examined.

Modes of Social Intervention: Justifications and Assumptions

Any criticism of social provision processes must be cognisant of the intentions of social provision as these provide the benchmarks against which its success can be measured. These intentions can be derived from the historical make-up of Indigenous social provision.

Since Elizabethan times there has been official acknowledgement that the needs of some marginalised members of the community must be met socially if their personal problems are to be prevented from becoming significant social problems (Tomlinson 1989). Since the 1960s the Australian Government has intervened in the housing circumstances of Indigenous communities to address an evidently problematic need for better Indigenous living conditions (Sanders 1990, Thompson 2004).

Since the 1970s, problematic unmet needs have been constructed as quantifiable phenomena which can be addressed scientifically by modern policy intervention (Sanders 1990). When in 1972 Jonathan Bradshaw described needs as quantifiable phenomena, there was first an academic and then a general acceptance that scientific social intervention would address certain statistically determined 'needs' which the market fails to supply to the needy (Thomson 2004). Quality social intervention strategies, including Indigenous housing programs, have focussed their activities on meeting carefully measured needs.

Academic interest in the 1970s and 1980s developed 'Social Need' theory into a scientific basis for providing the services which are used to meet the documented needs of officially disadvantaged members of the community. Thus need theory literature described the most efficient strategies for socially providing goods and

social services (Thompson 2004) and in the late 1980s and early 1990s the Commonwealth Department of Health, Housing, Local Government and Community Services (HHLGCS) included a staffing division which developed quantitative regional need maps and subsequent social provision plans for social policy programs. As a concession to modern rationality, the Australian Government (and NT Government) institutionalised needs-based planning for the social provision of Indigenous housing programs. As the provision of Indigenous housing fell within the planning portfolios of HHLGCS and NT Department of Housing their planning processes can be evaluated against their success in satisfying the needs of consumers.

Consultative Processes: Justifications and Assumptions

In light of apparent policy concern with consumer ‘needs’, the needs based provision strategy which formed in the 1990s was a rational approach, incorporating mechanisms to accurately determine needs and to efficiently provide for them (HHLGCS 1991, Thompson 2004). How this incorporated quasi-market provision, and the consequences of this for actual client needs, requires further consideration.

By the early 1990s the Commonwealth recognised that its own planning processes and those of the NT Department of Lands and Housing were quite insensitive to the real requirements of consumers (Thompson¹ 1991-2). Logically where provisions are insensitive and actual needs are not serviced, the policy intervention achieves nothing and policy-makers are perceived ineffective. In response to such concerns there were moves at this time to sensitise the planning and provision processes so that they responded better to the specific needs of consumers.

In the early 1990s the HHLGCS approach expanded the quantitative role of expert planning committees to include consumer representatives who were to focus on qualitative aspects of client needs. The early (1990s) Northern Territory Advisory Committee on Aboriginal Housing (NTACAH) allocated housing funds according to ‘State-Plan’s which were developed by NT bureaucrats but were endorsed by elected

¹ This accords with observations of this author when imposing planning strategy on NT Lands and Housing as program administrator for HHLGCS at this time.

Indigenous representatives. This NTACAH and its more recent derivative the Indigenous Housing Authority of the Northern Territory (IHANT) allocated funds to Indigenous Community Councils (or housing organizations) to build housing in Indigenous communities. Eventually Indigenous representatives numerically dominated the consultative body in order to ensure cultural sensitivity, yet the allocation process was increasingly required to include concessions to mainstream infrastructure planning standards, health standards, building standards and cost constraints.

Logically these factors constrained the sensitizativity of planning in respect to specific individual requirements. Though the HHLG&CS ideology sought to entrench consumer representation and a sensitivity to local needs the idea that one 'representative' individual can (or may desire to) accurately determine the needs of another requires logical consideration. Thus there seem individual and regulatory constraints on the satisfying qualities of the provision strategies which need examination.

In the case of remote NT Indigenous housing, construction and management is carried out under the supervision of Indigenous organizations or councils. Though Indigenous representatives seem dominant in the resource distribution processe (the consultative committee) and Indigenous boards or councils administer the actual community housing, the implementation of mainstream standards must mitigate against consumer outcomes. Evaluation processes which ensure program effectiveness should then assess that these mechanisms effectively and efficiently deliver 'needed' goods and achieve increased consumer satisfaction (Thompson 2004). Thus when market mechanisms are deployed in constructing housing there is some onus on them to ensure that competitive suppliers seek to service the needs of consumers through free choice mechanisms. Beyond the ideology of this provision there is thus reason to examine the real processes and impacts of Indigenous housing policy on client needs.

Applying Quasi-Market Theory to Need: A Critique

In light of the centrality of need as a policy objective it is important to consider the logic that explains mainstream need satisfaction processes as a point of comparison with the above social provision mechanisms. The subsequent discussion will examine market provision mechanisms and consider their need satisfaction function. It will then consider the logic of NT indigenous housing provision strategy against this mainstream ideal.

Classical liberal values have for centuries advocated for capitalist market provision processes. This ideology upholds basic economic principles about the superiority of capitalist supply/demand dynamics based on freely determined decision-making. Simply, the actions of rational consumers ensure that an optimum level of satisfaction is realized after individuals with limited resources allocate these resources to their highest priorities. Accordingly, priorities are determined as people judge the best items which provide the most satisfaction for the least amount of money. This selection process is manifest in fund allocation and therefore stimulates suppliers to provide goods which are attuned to the specific desires of consumers.

As a consequence of these liberal values, economic-rationalist logic holds that the best way to satisfy consumers, and therefore the most justifiable way to distribute needed goods, is by individual consumers freely deploying their limited resources and choosing the best from a variety of potential sources (suppliers). This logic emphasises the inferiority of social provision processes which constrain decision-making through centralised planning (and interventionism). From ideologically (classical) liberal or economically-rationalist perspectives, the intervention into Indigenous housing and education is a manifestation of a 'realm of coercion' (government) implementing control over economically independent individuals (see Heywood 1992 & Hughes 1995). Accordingly Hughes² (1995) has argued that government intervention has constrained the independent decision-making which had allowed Indigenous individuals real 'self-determination' and therefore the freedom to satisfy their basic, social and artistic needs (See Zastrow & Kirst-Ashman 2004:389-91; Locke 1992). Rationally, the efficiency and effectiveness of their individual

² From a different ideological perspective.

satisfaction strategies is constrained rather than improved by intervention which limits self-determination.

According to economic rationalist logic it seems that the interests of better provision of Indigenous housing services might require the application of markets or quasi-markets which recreate service-purchaser/private-sector supplier conditions. The NT Department of Lands and Housing actually did begin contracting out the construction of its Indigenous housing in the late 1980s and public-housing authorities in Australia have dabbled with tendering and outsourcing of housing construction. Now the quasi-market approach to housing construction underpins the construction of remote Indigenous housing in the Northern Territory and is evident in other State-based Indigenous housing portfolios. According to economic rationalist ideology, where Indigenous purchasers are empowered to select the builder who provides the best value for money infrastructure then it is arguable that their disadvantaged communities will receive the maximum benefit possible from government social intervention transfers.

Thus the NT case study can be evaluated as a mechanism for sensitising social provision. Logically such private participation has been considered to be both a means to ensure efficiency in the construction of the housing and a strategy to ensure that consumers received the most satisfying product. It should also ensure that the purchaser is able to select the supplier who can provide them with the closest approximation to their requirements for the approved cost.

The actual housing construction process which delivers the services to the communities is contracted to private-sector building companies. It should not however be assumed that this private servicing arrangement acts substantially to ensure that Indigenous consumers' needs are serviced. Though the market mechanism is perceived effective in servicing mainstream needs, it will service Indigenous needs only where Indigenous people are given market power to purchase needed services (housing). As this does not occur the process is not rational and requires critical examination.

Irrationality in Provision Processes: Examined

The quasi-market mechanism above can be considered a highly irrational individual need-satisfaction strategy. To summarise, though individuals are satisfied by market (supply/demand) mechanisms, this satisfaction occurs because consumers are able to determine their priority needs, allocate resources to satisfying these needs, and 'demand' ever-better products to achieve need satisfaction (demand). Yet if social provision processes are prioritized by bureaucrats, allocated by 'consultative' representatives, purchased by representative organizations and do not empower clients, then they are not a need satisfaction mechanism. Rational economics assumes that individuals act from self-interest and therefore it is illogical to apply market logic to social provision and at the same time assume that representatives and organisations will make choices based on the needs of other individuals (clients).

If the mechanism does not rationally focus on meeting the client's needs, which are its stated objectives, then there is onus on the evaluation mechanism to ensure that this policy-failure is highlighted. Yet it has been previously shown that the Indigenous housing evaluation process examines the effectiveness and efficiency of the delivery rather than the outcomes of that delivery (Thompson 2004). Evidently the methodology for improving Indigenous policy outcomes focussed on the effectiveness of the administrators in achieving policy benchmarks and it did not clarify policy objectives or examine better strategy for rationally meeting these objectives.

In summary the mode of Indigenous social housing provision used is a process for increasing the satisfaction of client needs, yet it does not actually involve those needs at any stage of the process. Only a misunderstanding of the concept need could permit such irrationality. Thus there is a problem in the conceptualization of need which impacts on the success of social provision and requires further examination.

Improving Policy Outcomes by Reconceptualizing the Need

If the intentions of the social provision of Indigenous housing are confused by the application of quasi-market mechanisms then there is reason to reconceptualise the process. If however, there is a fatal flaw in the conceptualization of the policy process then there is reason to reconceptualise the objectives of the policy. Either way there is reason to consider the role of need satisfaction within this policy. This reconsideration requires a theoretical examination of the self-determining need-satisfaction strategies. This reconsideration must occur in the light of clear understanding of the intentions of policy, the logic of self-determination and the nature of need satisfaction.

Logically, if social policy responds to perceived social problems, and these perceived problems result from unmet individual needs, then social intervention which focuses on meeting problematic individual needs will assist. If both hunter-gatherer and consumer decision-making processes are based on rationally determined priorities, rational allocations of resources (to those priorities) and satisfying consumption, then policy should recognise that individual priority setting is central to need satisfaction. In accord with this view the principles of 'empowerment practice' posit that individuals who have problems must be able to articulate those problems and, given sufficient resources, will strategically deal with those problems (Payne 1991:234). Thus it can be assumed that Indigenous clients who actually 'need' housing assistance will demonstrate that housing is a priority problem for them and will allocate resources to satisfy their housing need. Thus if Government genuinely wants to satisfy 'needs' it can ask clients what their priorities are and it can assist them to meet these priorities.

This assumes that government social intervention really does focus on client needs, an assumption which requires consideration. Thompson (2004) found evidence that the provision of 'needed' housing, rather than being a strategy for meeting Indigenous priorities has been a coercive intervention aimed at modifying the perceived problematic nature of Indigenous life-styles. This work argued that assimilation has continuously underpinned the policy model since mid 1960s (see also Hughes 1995). Further this research also argued that the drive to meet needs is a physiologically determined/ culturally mediated phenomenon and will not easily be thwarted by the impositions of policy intervention. As argued by 'empowerment practice' theory,

satisfying change is only achieved by working with client priorities (needs) and assisting their strategies. Thus clients will act to satisfy their needs irrespective of government intervention and intervention which thwarts need satisfaction will only achieve resource wastage.

Rational economic argument assumes that individuals act according to self interest and therefore if client need satisfaction is the measured benchmark of successful policy implementation, then bureaucrats who strive for success would strive for client satisfaction. It was clear above that the methodology of social policy evaluation was focussed on determining the efficiency of provision processes rather than the degree of satisfaction. If Sanders (1990) is correct, then social policy focuses more on the satisfaction of powerful stakeholders than the needs of clients will continue to thwart needs and will continue to fail.

Where the success of social programs is measured against efficient processes, 'need' will continue to be conceptualised as the volume of goods or services which is predetermined necessary by bureaucratic expediency. In such circumstances private sector suppliers may efficiently supply the product and facilitate bureaucratic effectiveness. Client needs may never be satisfied under such circumstances as the failure of social programs is traditionally highlighted as a moral failure on the part of delinquent clients (see Thompson 2004). For this reason program ineffectiveness does not normally reflect on the perceived effectiveness of the bureaucrats. Under these circumstances bureaucrats are ideally situated to continually benefit from efficiently intervening in social problems, without ever meeting needs and achieving the solutions which would make their role redundant. Improved policy, under these circumstances never measurably achieves any solution to the social problem it addresses though bureaucrats may be rewarded for its implementation. This is the long-term scenario in Indigenous housing policy (see Sanders 1990; Thompson 2004).

By contrast if Indigenous housing policy is evaluated against the increasing quality of life of Indigenous clients then there will be process improvement and economic rationality in respect to real self-determination of client needs.

Bibliography

- Berndt R.M. & Berndt C.M. (1992) *The World of the First Australians: Aboriginal Traditional Life Past and Present*, Aboriginal Studies Press, Canberra.
- Briscoe, Gordon (1989) "Class, 'Welfare' and Capitalism: The Role Aborigines have Played in the State-building Processes in Northern Territory History", 197-216 in Richard Kennedy *Australian Welfare: Historical Sociology*, Macmillan, South Melbourne.
- Bradshaw, J., (1972) *The Concept of Social Need*, New Society, Vol. 19, No. 496, pp640-3.
- Heywood, Andrew, (1992) *Political Ideologies: An Introduction*, Macmillan, London.
- HHLGCS, (1993) *Annual Report (1991-92)* Department of Health Housing Local Government and Community Services, AGPS, Canberra.
- Hughes, I., (1995) *Dependant Autonomy: A New Phase of Internal Colonialism*, Australian Journal of Social Issues, Vol. 30, No. 4, pp. 369-389.
- Locke, E.A. (1991) *The Motivation Sequence, the Motivation Hub, and the Motivation Core*, Organizational Behaviour and Human Decision Process Vol 50, pp288-99.
- Memmott, P. & Moran, M. (2001) *Indigenous Settlements of Australia*, Department of Environment and Heritage,
<http://www.ea.gov.au/soe/techpapers/indigenous/population.html>
- Memmott, P. & Go-Sam, C. (2003) "Synthesising Indigenous Housing Paradigms: An Introduction to Take 2", in p. Memmott ed., *Take2 Housing Design in Indigenous Communities*, RAIA, Red Hill, ACT, pp. 13-15.
- Payne, M.S., (1991) *Modern Social Work Theory: a critical introduction*, Macmillan, London.
- Qld Government (2005) *Department of Housing: Improving Peoples Lives through Housing and Community Renewal*, <http://www.housing.qld.gov.au>.
- Sanders, W., (1990) *Reconstructing Aboriginal Housing policy for Remote Communities: How Much Room for Manoeuvre*, Aust. J Pub. Admin., Vol. 49, 1 March 1990, pp. 38-50.

- Tomlinson, J.R. (1989) *Income Maintenance in Australia: The Income Guarantee Alternative*, Dissertation Submitted as a requirement for Doctor of Philosophy, Murdoch University, W.A.
- Thompson, L.J., (2004) *The Indigenous Living Conditions Problem: 'Need', Policy Construction, and Potential for Change*, Doctoral Dissertation, Faculty of Engineering, Physical Sciences & Architecture, University of Queensland.
- Thompson, L.J., (2005) *Compassionate Coercion as a Policy Model: Reflections on Practical Reconciliation & Mutual Obligation for Indigenous Living Conditions*, Draft Manuscript for AJSI 2005.
- Zastro C.H. & Kirst-Ashman K.K. (2004) *Understanding Human Behaviour and the Social Environment* 6th ed, Brooks Cole, Belmont, Ca.